

Message Text

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PAGE 01 BRASIL 09325 131358Z

51

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 FRB-01 H-01 INR-05 INT-05 L-02 LAB-04 NSAE-00

NSC-05 PA-01 RSC-01 AID-05 CIEP-01 SS-15 STR-01

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

SWF-01 /079 W

----- 053338

R 131330Z DEC 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 6851

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: ETRD, EAGR, BR

SUBJECT: SUGAR: STATUS OF EXPORTS TO US

REF: STATE 256602; BRASILIA 8141

1. FOLLOWING WEEKEND PRESS REPORTS THAT GOB HAD ADVISED USG WOULD NOT BE ABLE TO DELIVER 55,000 TONS UNDER 1974 SUGAR QUOTA, FORMER EXPORT DIRECTOR OF SUGAR AND ALCOHOL INSTITUTE, FRANCISCO WATSON, PUBLICLY CRITICIZED DECISION AS BEING PREJUDICIAL TO BRAZILIAN INTEREST, STATING THAT WHEN US REESTABLISHES SUGAR ACT, PREFERENCE WOULD BE GIVEN TO COUNTRIES THAT MAINTAIN THEIR PARTICIPATION IN MARKET. WATSON MENTIONED BENEFICIAL EXPERIENCE OF 1960S WHEN US PRICE WAS MUCH HIGHER THAN WORLD PRICE AND CAUTIONED AGAINST DOWNGRADING IMPORTANCE OF US MARKET. EVEN WITH EQUALITY OF PRICE US AND WORLD MARKET, WATSON REPORTEDLY STATED, BRAZIL SHOULD GIVE PREFERENCE TO SUGAR FOR THE US. HE ADDED, HOWEVER, THAT THE US DECISION TO ALLOW THE SUGAR ACT TO EXPIRE WAS UNFORTUNATE

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PAGE 02 BRASIL 09325 131358Z

AND CONTRARY TO GENERAL INTEREST. IN RESPONSE TO THESE

COMMENTS, THE CURRENT IAA EXPORT DIRECTOR, ALBERICO TEIXEIRA LEITE, WAS QUOTED AS STATING THAT SHORT-FALL OF SHIPMENTS TO US WAS ONLY A SMALL FRACTION OF BRAZIL'S TOTAL SHIPMENTS AND THAT DECISION HAD BEEN RECEIVED WITH UNDERSTANDING BY US AUTHORITIES. AS TO THE REESTABLISHMENT OF US QUOTAS, LEITE REPORTEDLY STATED THAT HE DID NOT SEE HOW THE US WOULD REVERSE ITS CURRENT POLICY WHICH IS AIMED AT INCREASING COMPETITION AMONG SUGAR EXPORTERS AND EXPANDING WORLD SUPPLY. PURPOSE OF THE SUGAR ACT EXPIRATION, HE STATED WAS TO OPEN US MARKET TO NEW SUPPLIERS AND TO STIMULATE EXPANDED PRODUCTION.

2. IN CONVERSATIONS WITH AGATT FOLLOWING ANNOUNCEMENT OF US GLOBAL QUOTA, GOB SUGAR AND ALCOHOL INSTITUTE OFFICIALS HAVE EXPRESSED UNDERSTANDING FOR US DECISION TO CHANGE FROM COUNTRY QUOTA SYSTEM TO A GLOBAL SYSTEM UNDER PREVAILING MARKET CONDITIONS AND HAVE INDICATED THEIR INTEREST IN MAINTAINING BRAZIL'S POSITION IN THE US MARKET OVER THE LONG TERM. THEY INDICATED THAT BRAZIL WOULD HAVE A SUBSTANTIAL SUPPLY FOR THE US IN 1975 AT WORLD PRICES AND EXPRESSED STRONG INTEREST IN EXPLORING POSSIBILITY OF LONG TERM CONTRACTS AS MEANS OF ASSURING CONTINUED SUPPLY. AT THE SAME TIME, DISAPPOINTMENT WAS EXPRESSED THAT USG HAD NOT CONSULTED GOB PRIOR TO ANNOUNCEMENT ABOLISHING SUGAR ACT.

3. CONGEN RIO REPORTS THAT BRAZIL'S SUGAR REPRESENTATIVE IN WASHINGTON TOLD CONGEN OFFICER THAT BRAZIL HAS INITIATED CONTACTS WITH MAJOR US REFINERIES AND THIRD COUNTRY IMPORTERS FOR LONG-TERM PURCHASE CONTRACTS BUT THAT NO SPECIFIC AGREEMENT HAS BEEN REACHED FOR ESTABLISHING FUTURE PRICE FORMULA.

4. PRESS REPORTS INDICATE THAT BRAZIL SUGAR CROP THIS YEAR WILL TOTAL SOME 6.8 MILLION TONS WITH EXPORTS REACHING 2.2 MILLION TONS. FOR 1975, IAA REPORTEDLY ESTIMATES THAT EXPORTS WILL REACH 2.4 MILLION TONS. WITH EXPANDED REFINING OPERATIONS ALREADY UNDERTAKEN, SOME OBSERVERS FORECAST 1975 EXPORTS OF 3 MILLION TONS.

JOHNSON

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PAGE 03 BRASIL 09325 131358Z

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Message Attributes

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Copy: SINGLE
Draft Date: 13 DEC 1974
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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740362-0846
From: BRASILIA
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ISecure: 1
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